

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 183155

12
ORIGIN NEA-03

INFO OCT-01 ISO-00 /004 R

66011
DRAFTED BY:NEA/ARP:JRCOUNTRYMAN:BH
APPROVED BY:NEA/ARP:FMDICKMAN
----- 129248
R 232101Z JUL 76
FM SECSTATE WASHDC
TO AMCONSUL DHAHRAN

LIMITED OFFICIAL USE STATE 183155

FOL RPT ISLAMABAD 7385 ACTION SECSTATE JUL 20

QUOTE: LIMITED OFFICIAL USE ISLAMABAD

E.O. 11652: N/A
TAGS: AFIN, PK, SSR
SUBJ:USE OF EXCESS RUPEES FOR USG PROJECTS IN SAUDI ARABIA

REF: A) STATE 175984, B) DHAHRAN 0916, C) ISLAMABAD 6853

1. FOR REASONS CITED IN REF C, MISSION CONCERNED ABOUT IMPLICATION IN REFS A AND B THAT PROPOSED CONTRACTING WILL BE APPROPRIATE IF PAYMENT IS MADE TO THE CONTRACTOR IN PAKISTAN. OUR 104F LOAN AGREEMENTS PERMIT THE USE OF REPAYMENTS FOR ANY EXPENDITURES OF OR PAYMENTS BY THE UNITED STATES IN PAKISTAN OR ITS TERRITORIES. BUT WE BELIEVE THIS LANGUAGE IS CLEARLY INTENDED TO COVER ONLY PAYMENTS HERE FOR GOODS AND SERVICES DELIVERED HERE. ANY OTHER INTERPRETATION WOULD MAKE MEANINGLESS THE REQUIREMENT FOR MUTUAL AGREEMENT PRIOR TO CONVERSION OF EXPORT.

2. THE USG CANNOT DO INDIRECTLY OR BY SUBTERFUGE SOMETHING THAT IT CANNOT DO DIRECTLY UNDER ITS AGREEMENTS WITH ANOTHER GOVERNMENT. THIS APPEARS TO BE CLEARLY APPLICABLE HERE, SINCE THE PROPOSED CONTRACT WOULD HAVE THE EFFECT OF AN EXPORT OR
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 183155

CONVERSION. IF THE CONTRACTOR USES THE RUPEES TO PAY LOCAL

COSTS HERE IN SUPPORT OF THE SAUDI PROJECT, HE WILL AVOID HAVING TO CONVERT EARNED FOREIGN EXCHANGE FOR THIS PURPOSE. THE RESULT WILL BE A LOSS TO PAKISTAN'S BALANCE OF PAYMENTS IDENTICAL TO DIRECT CONVERSION OR EXPORT, BOTH OF WHICH REQUIRE MUTUAL AGREEMENT OF THE GOP. WE ARE SURE GOP WOULD CONSTRUE THIS TRANSACTION IN THE SAME WAY AND WOULD TURN IT DOWN. GIVEN SENSITIVITY OF RUPEE ISSUE HERE WE RECOMMEND AGAINST SEEKING SUCH AN AGREEMENT.

3. WHILE WE BELIEVE THE ABOVE INTERPRETATION TO BE CORRECT FROM A LEGAL POINT OF VIEW, THERE IS ALSO THE QUESTION OF THE PROPRIETY OF THE PROPOSED TRANSACTION. THE 104F AGREEMENTS REQUIRE US TO TAKE INTO ACCOUNT THE IMPACT ON PAKISTAN'S ECONOMY OF ANY USE OF EXCESS RUPEES. WE SUGGES THAT SUCH AN ACCOUNTING WOULD REASONABLY CONCLUDE THAT THE UNITED STATES SHOULD NOT TAKE AN ACTION WHICH WOULD HAVE THE EFFECT OF HAVING PAKISTAN, A COUNTRY WITH A PER CAPITA GNP OF A \$130, TO SPEND ITS SCARCE FOREIGN EXCHANGE TO PAY FOR THE CONSTRUCTION OF AMERICAN GOVERNMENT FACILITIES IN SAUDI ARABIA.
BYROADE

UNQUOTE ROBINSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, FOREIGN EXCHANGE HOLDINGS, RUPEE, DEBT REPAYMENTS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE183155
Document Source: CORE
Document Unique ID: 00
Drafter: NEA/ARP:JRCOUNTRYMAN:BH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760285-0191
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760726/aaaaawmr.tel
Line Count: 84
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 175984, 76 DHAHRAN 916, 76 ISLAMABAD 6853
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUN 2004 by GarlanWA>; APPROVED <15 OCT 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SE OF EXCESS RUPEES FOR USG PROJECTS IN SAUDI ARABIA
TAGS: AFIN, EFIN, SA, US, PK
To: DHAHRAN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006